Supreme Court, U. S.
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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1977

No. 78-250

EUGENE A. WAHL AND VIBRA SCREW, INCORPORATED,
Petitioners

v.

REXNORD, INC., *Respondent*

EUGENE A. WAHL AND VIBRA SCREW, INCORPORATED,
Petitioners

v.

SOLIDS FLOW CONTROL CORPORATION, *Respondent*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioners respectfully pray that a writ of certiorari issue to review the judgments of the United States Court of Appeals for the Third Circuit entered in the above cases on April 12, 1978, petition for rehearing denied on May 15, 1978.

OPINIONS BELOW

The Opinion of the District Court for the District of New Jersey granting respondents' Motions for Partial Summary Judgment was delivered orally and not reported. A copy of the transcript of the hearing including the District Court's oral opinion is reproduced at pages 20-40 of the appendix herein. The Court of Appeals for the Third Circuit entered a Judgment Order affirm-

ing the District Court (App. herein, A1, A2) and denied a petition for rehearing (App. herein, A3). A transcript of the argument on Appeal is printed at A4-A19 in the appendix herein because no reasons were expressed in the Court's Judgment Orders but the comments and questions by the Court of Appeals indicate its principal concern.

JURISDICTION

The judgment of the Court of Appeals for the Third Circuit was made and entered on April 12, 1978, and rehearing was denied May 15, 1978. The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

QUESTIONS PRESENTED

The following questions are presented:

1. Where a patent has been held invalid as a result of a trial in which the patentee lacked crucial evidence bearing on validity, and an intervening case on the patent has resulted in dismissal on the ground of collateral estoppel, does that holding in the intervening case give rise to a new collateral estoppel absolutely precluding a showing in a further suit on the patent that crucial new evidence tending to bring about a holding of validity has become available only after both previous cases, not withstanding the requirement of identity of controlling facts under *Commissioner of Internal Revenue v. Sunnen*, 333 U.S. 591 (1948)?

2. Did this Court's decision in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation et al.*, 402 U.S. 313 (1971) terminate the rule of law it laid down in *Diamond Rubber Co. v. Consolidated Rubber Tire Co. et al.*, 220 U.S. 428 (1911) that evidence of a correct and complete understanding of the functioning of the elements of a patented combination, emerging not only after the patent issued but after a prior court decision which through proper reasoning held the patent invalid, can qualify as crucial new evidence, i.e. evidence which may lead to an ultimate holding that the patent is valid?

The questions arise as a matter of case law, not from a constitutional provision or a statute.

STATEMENT OF THE CASE

Petitioners are Eugene A. Wahl, patentee of United States Patent No. 3, 173, 583, and Vibra Screw, Incorporated, the exclusive licensee of the '583 patent.

The '583 patent was held invalid, but infringed if valid, after a trial on the merits in a decision dated November 5, 1969 by the United States District Court for the Southern District of Indiana (12-35a)[1]. That holding was affirmed. *Wahl v. Carrier Manufacturing Company*, 452 F.2d 96 (7th Cir. 1971), cert. denied, 405 U.S. 990.

Prior to the decision of the Supreme Court in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation et al.*, 402 U.S. 313, 91 S. Ct. 1434 (1971), and prior to the decision by the Seventh Circuit Court of Appeals, petitioners instituted a second infringement action based on the '583 patent against another infringer in the United States District Court for the Western District of Kentucky.

Subsequent to the *Blonder-Tongue* decision, the defendant in the Kentucky action moved for summary judgment on the ground that petitioners were estopped from asserting the validity of the '583 patent under the doctrine of *Blonder-Tongue*. In opposition to that Motion petitioners filed a reply alleging various deficiencies and errors in the Indiana litigation, which petitioners claimed made estoppel under *Blonder-Tongue* inappropriate. On April 24, 1972 the United States District Court for the Western District of Kentucky granted the motion for summary judgment (62-67a). That was affirmed, *Eugene A. Wahl et al. v. Vibranetics, Inc.* 474 F.2d 971 (6th Cir., 1973), cert. denied, 441 U.S. 859 (1973).

1. References to appendix pages merely by numerals followed by the letter "a" are references to the White-bound printed appendix filed in the U.S. Court of Appeals for the Third Circuit. Other references are to the appendix herein, i.e., the appendix in the rear of this printed petition.

Subsequent to the Indiana trial and the Kentucky summary judgment hearing, crucial new evidence was discovered bearing on the validity of the '583 patent. At the times of the Indiana trial and the Kentucky summary judgment hearing, this new evidence was unavailable to petitioners through no fault of their own. This new evidence relates primarily to the understanding and recognition now prevailing in the industry of the way in which the parts of the patented invention actually do cooperate to produce their beneficial results. It shows recognition of the complex functions performed by the elements of the device of the '583 patent in contrast to the simplistic, grossly mistaken views thereof earlier held by the parties and by the industry, and presented to the Court in Indiana in the trial of the original action.

On April 30, 1976 petitioners instituted the present action in the United States District Court for the District of New Jersey against Rexnord for infringement of the '583 patent and United States Letters Patent 3,261,508. On July 21, 1976 petitioners instituted the present action in the same Court against Solids Flow for infringement of the '583 patent.

The United States District Court for the District of New Jersey, after a consolidated hearing, granted partial summary judgment in the Rexnord action and summary judgment in the Solids Flow action, holding that petitioners were estopped from asserting the validity of the '583 patent. The District Court did not determine whether the new evidence was or could well be crucial, nor did it determine whether the new evidence was not previously available to petitioners through no fault of their own.

In granting summary judgment, the Court below held in essence that further trial in the present actions was unconditionally precluded by the fact that the validity of the Wahl '583 patent had originally been tried before the Court in Indiana, and the Court in Kentucky

had determined that petitioners had not there succeeded *prima facie* in making out a case coming within an exception to the collateral estoppel rule of *Blonder-Tongue*. The Court of Appeals for the Third Circuit summarily affirmed the holding of the District Court.

REASONS FOR GRANTING THE WRIT

The Intervening Collateral Estoppel Issue

In the present case, the District Court did not rule upon the efficacy (cruciality) the new proffered evidence would have had if there had been no intervening case. It held in essence that it was under duty to grant the motions of defendants-respondents for summary judgment of invalidity of the '583 patent, being conclusively bound to do so by the fact that the intervening decision by the Court in Kentucky already had considered and determined the same issue, i.e., the issue whether the original Indiana trial produced a collateral estoppel. (App. herein, A35-A40).

Inasmuch as the Court of Appeals for the Third Circuit affirmed without an opinion, the bench and bar would be led to consider the District Court's opinion a significant precedent. This introduces a major error in the law. Petitioners submit that the intervening opinion could only be *res judicata* on the principle of collateral estoppel if the issues before the Kentucky Court were the same as the issues presented before the New Jersey Court. They were not. The action in Kentucky had been commenced before this Court's decision in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation et al.*, 402 U.S. 313, 91 S.Ct. 1434 (1971). The reporting of that landmark decision by this Court was followed immediately by a Motion for Summary Judgment before the Court in Kentucky. Since the *crucial new evidence* proffered to the Courts in the present litigation had not come into being by that time, plaintiffs, through no fault of their own, were without power to present to the Kentucky Court such crucial new evidence and hence without power to assert their right to a new trial on that important one of the few grounds enumerated by this Court in *Blonder-Tongue* as grounds which could justify a new trial after a prior Court had held a patent invalid. The District Court

below failed to recognize that the collateral estoppel issue considered and decided by the Kentucky Court did not have the same controlling facts as those now present. This Court held in *Commissioner of Internal Revenue v. Sunnen*, 333 U.S. 591 (1948) that

> ". . . collateral estoppel must be used with its limitations carefully in mind so as to avoid injustice. It must be confined to situations where the matter raised in the second suit is identical in all respects with that decided in the first proceeding *and where the controlling facts* and applicable legal rules *remain unchanged.*" (333 U.S. at 599, 600, emphasis added)[2]

Thus, the first matter on which this Court's guidance is urgently needed by the bench and bar is the question whether the third in a series of suits on a patent which was held invalid in a first action will be irrevocably and *unconditionally* barred on collateral estoppel if an intervening decision by a different Court has, on a fact situation different from the controlling facts now presented, held the patentee collaterally estopped by the original decision. Petitioners submit that in so holding, the District Court went out of bounds, and its decision stands tacitly approved by the Affirmance Order of the United States Court of Appeals for the Third Circuit.

The Crucial Evidence Issue

A pronouncement of this Court is urgently needed also on a second point which arises in the present case.

2. Of Course, *C.I.R. v. Sunnen* is not a patent case. Petitioners submit that it is of vital importance that the bench and bar understand that the same legal principles apply in patent cases as in other fields of the law. The rule here laid down by this Court is directly applicable to the question whether the Kentucky Court's holding that collateral estoppel was *there* present gives rise to a new and conclusive collateral estoppel against any third case, no matter what facts are now available.

This is the question whether this Court in the *Blonder-Tongue* case implicitly overruled, or otherwise rendered devoid of force and effect, its long standing "landmark" decision in *Diamond Rubber Co. v. Consolidated Rubber Tire Co. and Rubber Tire Wheel Co.*, 220 U.S. 428, 31 S. Ct. 444 (1911). As counsel for one of the defendants-respondents in effect acknowledged in replying to a question from the Court of Appeals, the present case does indeed involve the matter which was decided by this Court in the *Diamond Rubber* case (App. herein, A14-A15).

The *Diamond Rubber* case, like the present case, involved an apparatus consisting of certain specified mechanical elements in combination. In that case, Grant's patented combination of the rubber tire body, the two imbedded steel rings, and the rim of stated shape constituted a quite successful, durable automotive tire installation, just as the combination of mechanical elements of the present invention likewise constitutes a successful and effective bin discharging machine. In that case, as here, at the time of applying for and obtaining the patent, there was a lack of a correct understanding of the way in which the parts of the combination actually cooperate with each other in order to produce their beneficial result. In the cited case, the Sixth Circuit Court of Appeals had earlier found the Grant tire patent invalid. *Goodyear Tire & Rubber Co. v. Rubber-Tire Wheel Co.*, 116 Fed. 363 (6th Cir., 1902). That Court recognized that Grant's tire and rim arrangement was quite beneficial, but it recognized on the other hand that the prior art was extremely close to the disclosure of the Grant patent, and it deemed the Grant patent disclosure one which would not necessarily result in any substantial advantageous performance characteristics as compared to the closely related prior art. This Court denied certiorari (187 U.S. 641).

Thereafter, the patentee brought further suits on the Grant patent in the Southern District of New York where it presented significant further evidence as to the cooperation of elements then recognized as inherent in Grant's tire-and-rim combination. The District Court fully respected the Sixth Circuit Court's holding of invalidity, but recognized that the newly presented evidence as to the mode of operation taking place within Grant's patented combination undoubtedly would have led the Sixth Circuit Court to the opposite conclusion, i.e., to a holding of validity. Accordingly, said District Court, in the two new cases before it, held the patent valid. *Consolidated Rubber Tire Co. v. Diamond Rubber Co.*, 157 Fed. 677, affirmed 162 Fed. 892 (2nd Cir., 1907 and 1908). This Court affirmed; *Diamond Rubber Co. v. Consolidated Rubber Tire Co.*, et al., 220 U.S. 428, 31 S.Ct. 444 (1911). This Court agreed that the tipping characteristic of Grant's tire-and-rim combination, now more clearly analyzed and understood in the light of that further evidence, was an important inherent function of the claimed invention present under all conditions and distinguishing it from the very close prior art, and resulting in a holding of validity of Grant's patent even though the inventor had earlier lacked a correct understanding of the mode of operation and hence could not and did not provide description thereof in the patent or sufficient evidence thereon in the earlier litigation.

In the present case, the record shows *prima facie* that petitioners are prepared to adduce significant new evidence, necessary to enlighten the District Court as to what is in fact the significant cooperation of the elements and the internal operating characteristics inherent in the patented combination. It shows that when the Wahl '583 patent was obtained, such operating characteristics and mode of cooperation were not understood by the inventor *or* by the others in the industry. It shows that petitioners and their competitors

in the industry were of the belief that vigorous vibratory motion including some substantial vertical force components would cause particulate or granular materials in a bin to "fluidize" i.e., to flow like water. It is now known that such "fluidization" does not occur, and probably would not have been beneficial. It was only in the period from 1971 to 1975 that the true and correct understanding of what occurs gradually came to be known and recognized throughout this industry. Several publications in 1971-1975 by the few companies active in this industry confirmed this. So also does the affidavit of Professor Mark Singley of Rutgers University, who had made an intensive study of the subject for many years but was not able to arrive at a correct understanding of the flow promoting action until 1974 (74a to 187a).

This is crucial new evidence in the present case, just as the correct understanding dispelling the earlier mistaken beliefs was found to be crucial in the cited *Diamond Rubber* case some 70 years ago. The District Court in Indiana, in weighing the patentability of the '583 patent in 1969, could not be provided with this significant evidence because, through no fault of petitioners, that evidence had not yet become available.[3]

3. The Indiana Court's holding of validity on the grounds of anticipation by and obviousness over certain stated prior art references necessarily was dependent upon an understanding of the way the parts of the claimed combination cooperate with each other. The basic test for anticipation was (and continues to be) whether or not corresponding elements found to coexist in a prior reference *operated in substantially the same way* to produce a similar result. The Court in Indiana, being misinformed (because of the industry's then prevailing gross misunderstanding as to the subject matter) was thereby led to the mistaken conclusion that the elements of the physically dissimilar reference structures operated in substantially the same way as the elements of the combination claimed in the '583 patent. Had it been possible for the parties to present to the Court a clear and correct understanding of the subtle, and quite different, operation of the patented system, the outcome probably would have been quite different.

Both Courts below have indicated their beliefs that in its *Blonder-Tongue* decision in 1971, this Court repudiated or overruled the *Diamond Rubber* case or rendered it devoid of any force and effect (App. herein, A11, 15 & A27). Petitioners submit that this is not the case. Petitioners submit that had the *Blonder-Tongue* decision preceded the *Diamond Rubber* case, the holding of invalidity of the Grant patent by the Sixth Circuit Court of Appeals (the 1902 decision) would have led to a motion for summary judgment of invalidity on the ground of collateral estoppel when the new cases were filed in the Southern District of New York (the cases which resulted in the decisions of validity in 1906 and 1907 against *Firestone Tire and Rubber Co.* and against *Diamond Rubber Co.*). The patentee would therefore have had the burden of showing that it was prepared to present new evidence, beyond that which had been before the Sixth Circuit Court of Appeals — new evidence which *prima facie* would meet this Court's dual tests of being (a) crucial, and (b) unavailable for presentation to the courts in the prior litigation, through no fault of the patentee.[4]

It can hardly be disputed that the new evidence as to how Grant's combination really operated was crucial, since that evidence was found by the District Court (with affirmance on appeal) to be so significant as to result in a holding of validity and the recognition that the Sixth Circuit Court undoubtedly would have held the patent valid with the benefit of that additional evidence. Unless the law laid down by this Court in the *Diamond Rubber* case has now been rendered a nullity, the new evidence as to how the claimed vibratory bin discharger elements in the present invention operate is likewise crucial.

4. Since the law prevailing in 1903-11 was not the collateral estoppel rule of the *Blonder-Tongue* case, there was no occasion for the series of opinions in the *Rubber Tire* cases to reveal whether or not the patentee-plaintiff in those cases could have sustained a burden of showing *prima facie* that the crucial new evidence to be presented in the Southern District of New York could not have been presented in the earlier litigation of the Grant patent, through no fault of the patentee.

Thus, the second important point on which this court's guidance for the bench and bar is needed is the resolution of the question whether the *Blonder-Tongue* case did, or did not, virtually nullify *Diamond Rubber Tire Co. v. Consolidated.*[5]

The reasons underlying the holding in the *Diamond Rubber* case were compelling in 1911 and remain compelling today. Then, as now, the law would not admit of filing a new patent application and obtaining a new patent on the same apparatus, after the product had been on the market several years, with the difference between the original patent and the new patent being full recognition and a correct exposition of the significant functions actually taking place in the apparatus whereby it achieves its advantageous results. Contrary to a suggestion made and reiterated by one of the Judges of the Court of Appeals (App. herein, A10-11), the law does not provide for a new patent to present a correct description of the significant functions long after the invention has become established in commerce. The law bars such a new patent. Instead, under *Diamond Rubber,* later-discovered recognition of what really does occur in the elements of the invention may result in the Courts recognizing the validity of the patent where they had previously deemed it invalid.

5. Petitioners submit that the law expounded by the Supreme Court in *Diamond Rubber Co. v. Consolidated, supra,* has not changed since the date of that decision. Courts have repeatedly cited *Diamond Rubber* for the aforestated holdings, relying upon these holdings and often quoting the Supreme Court. See for example *Crozier-Straub, Inc. v. Graham,* 28 F. 2d 321, 322 (3rd Cir., 1928); *Devex Corp. v. General Motors Corp.,* 467 F. 2d 257, 261 (3rd Cir., 1972); *Rosen v. Lawson-Hemphill, Inc.,* 549 F. 2d 205, 211 (1st Cir., 1976); *Canaan Products, Inc. v. Edward Don & Co.,* 388 F. 2d 540, 545 (7th Cir., 1968); *Elgen Mfg. Corp. v. Grant Wilson, Inc.,* 285 F. 2d 476, 479 (7th Cir., 1961).

Both Courts Demonstrated Apprehension Concerning Proliferation of Suits

In *Blonder-Tongue*, this Court established the rule that in the absence of certain exceptional circumstances which could make it unfair to deny a patentee a trial in a further suit, a holding of invalidity of a patent in a prior suit would result in collateral estoppel and preclude the further trial of the patent.

One of the exceptional circumstances named by this Court was the existence of crucial new evidence bearing on the validity which, through no fault of the patentee, was not previously available to be presented to the original Court.

Petitioners are aware of only one kind of evidence which could be crucial on this point, i.e., evidence upon which a new holding of validity of a patent might well result after a previous trial had ended in a holding of invalidity. That would be evidence showing that since the previous court action(s), it has come to be generally recognized through the relevant industry that the previously held beliefs about mode of operation were wrong — that the functioning of the elements of the patented invention by which it achieves its special benefit is subtle, involved, and quite different from what was previously simplistically viewed to be the mode of operation. Just such evidence was crucial in the *Diamond Rubber* case — it led to ultimate recognition of validity of the Grant patent after a court which lacked that new evidence had held it invalid.

Both Courts below raised the question how any new evidence could be crucial in the sense in which this Court used that word in *Blonder-Tongue*. The District Court commented that it could not conceive of any kind of new evidence to be crucial to a patentee's case for validity (App. herein, A26). A Judge of the Court of Appeals asked counsel for petitioners if he could conceive of any kind of new evidence other than

the kind here involved which could be crucial, and was answered in the negative (App. herein, A16).

Before both Courts below, the *Diamond Rubber* case was cited for its parallel to the present case and its recognition of cruciality of new evidence which reveals the actual functioning and operation of the elements of the combination. But both Courts showed their concern that *Blonder-Tongue* might somehow have negated or depreciated the rule of law of the *Diamond Rubber* case (supra, pp. 8-13; App. herein, A11, 15 and A27).

The ultimate concern expressed by both Courts below was their fear that to deny respondents' motion for summary judgment in the present case might open the floodgates to the proliferation of suits which *Blonder-Tongue* was intended to circumscribe (App. herein, A9, 17 and 32).

Both Courts below appeared to disregard the extreme unlikelihood of such circumstances as are present here arising in the case of a patent held invalid when incorrect views of operation widely prevailed. Petitioners are not aware of any other instance such as this (an industry-wide shift to a different understanding of the operation of a patented combination, and publications by those in the industry acknowledging this fact) ever having occurred.

The reservation which this Court made for a patentee's right to have a new trial on the issue of validity of his patent after a previous case holding it invalid, where the new trial is to be grounded upon crucial new evidence, does not present a hazard that the judicial economy objectives of the *Blonder-Tongue* decision would be frustrated in frequent cases.

This Court addressed itself in the *Blonder-Tongue* case to the great importance of judicial economy. If upon further reflection this Court should now deem it to be in the interest of justice as well as considerations of judicial economy to hold that there can be *no* crucial

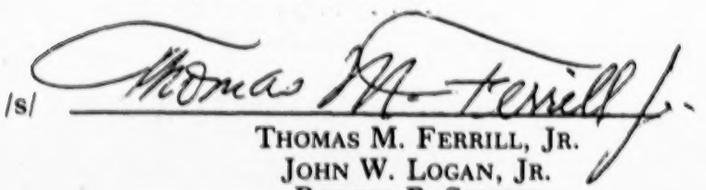
new evidence exception to the collateral estoppel rule which was introduced into the patent law through the *Blonder-Tongue* decision, the bench and the bar are in need of a pronouncement to such effect. There is urgent need for this Court to explain whether new evidence which is crucial in view of the existing law and was in fact unavailable to the patentee at the time of the earlier trial may provide justification for a further trial involving the patent which was held invalid when earlier tried. If it remains the view of this Court that the very exceptional case of the existence of crucial new evidence is sufficient to justify a new trial, this Court's reassurance to that effect would clarify a question now existing in the minds of many.

Moreover, if the Courts are to assume, as the Courts below apparently assumed in the present case, that the long-standing, often cited law of the *Rubber Tire* case was substantially abrogated by this Court's decision in *Blonder-Tongue*, then the lower courts will have extrapolated the *Blonder-Tongue* case beyond the principles which this Court is believed to have intended.

CONCLUSION

Petitioners submit therefore that there is urgent need for this Court to grant certiorari and review this case and provide the guidance and benefit of holdings disposing of the troublesome interpretations being made of its decision in the *Blonder-Tongue* case.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I, Thomas M. Ferrill, Jr., one of the attorneys for Eugene A. Wahl and Vibra Screw, Inc., petitioners herein, and a member of the Bar of the Supreme Court of the United States, hereby certify that on the 14 day of August, 1978, I served copies of the foregoing Petition For Writ of Certiorari To the United States Court of Appeals For The Third Circuit on the several parties by mailing three copies in duly addressed envelopes with first class postage prepaid, to their respective attorneys of record, as follows:

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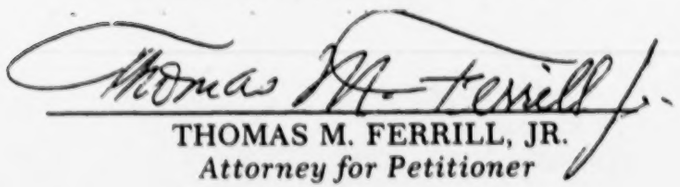

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UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

Nos. 77-1968, 77-2119, 77-2120

EUGENE A. WAHL, and
VIBRA SCREW, INCORPORATED,
Appellants in No. 77-1968

v.

REXNORD, INC.

EUGENE A. WAHL, and
VIBRA SCREW, INCORPORATED,
Appellants in No. 77-2119

v.

SOLIDS FLOW CONTROL CORPORATION
Cross-Appellant in No. 77-2120

On Appeal from the United States District Court
for the District of New Jersey
C. A. Nos. 76-791 and 76-1412

Argued March 31, 1978
Before: ADAMS, VAN DUSEN and ROSENN,
Circuit Judges

JUDGMENT ORDER

After consideration of all contentions raised by appellants, it is

ADJUDGED AND ORDERED that the judgment of the district court be and is hereby affirmed. Moreover, it is

ADJUDGED AND ORDERED that the cross-appeal for attorneys' fees be and is hereby denied.

Costs taxed against appellants.

Certified as a true copy and issued in lieu of a formal mandate as to Nos. 77-1968 & 77-2119 on May 23, 1978.

BY THE COURT:
ARLIN M. ADAMS

/s/ _____
Circuit Judge

ATTEST:
/s/ _____
THOMAS F. QUINN *Clerk*

Dated Apr. 12, 1973

Nos. 77-1968, 77-2119

EUGENE A. WAHL and
VIBRA SCREW, INCORPORATED
Appellants in 77-1968

v.

REXNORD, INC.

EUGENE A. WAHL, ET AL.
Appellants in 77-2119

v.

SOLIDS FLOW CONTROL CORP.

SUR PETITION FOR REHEARING EN BANC

Present: SEITZ, *Chief Judge*, VAN DUSEN, ALDISERT, ADAMS, GIBBONS, ROSENN, HUNTER, WEIS, GARTH and HIGGINBOTHAM, *Circuit Judges*.

The petition for rehearing filed by Appellants in the above entitled case having been submitted to the judges who participated in the decision of this court and to all the other available circuit judges of the circuit in regular active service, and no judge who concurred in the decision having asked for rehearing, and a majority of the circuit judges of the circuit in regular active service not having voted for rehearing by the court in banc, the petition for rehearing is denied.

By the Court
ARLIN M. ADAMS

/s/ _____
Judge

Dated: May 15, 1978

IN THE
UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

EUGENE a. WAHL and
VIBRA SCREW, INC.,
Appellants,
v.
REXNORD, INC.,
Appellee,
No. 77-1968

EUGENE A. WAHL and
VIBRA SCREW, INC.,
Appellants,
v.
SOLIDS FLOW CONTROL
CORPORATION,
Cross-Appellant.
Nos. 77-2119
and 77-2120

Appeal from the United States District Court
for the District of New Jersey

Friday, March 31, 1978

[2] Before ADAMS, VAN DUSEN and ROSENN,
Circuit Judges

Appearances: Thomas M. Ferrill, Jr., Esq.
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*NOTE: Original transcript page shown in brackets.

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MR. FERRILL: Good morning, Your Honor. I am Thomas M. Ferrill, the attorney for Wahl and Vibra Screw.

[3] This is a collateral estoppel case under the Supreme Court's *Blonder-Tongue* case and this court's case of *Kaiser versus Jones and Laughlin.*

The ultimate issues are whether the plaintiffs are collaterally estopped by the holding of invalidity of their patent by the first court in Indiana in 1969 or estopped by a further holding of a court in Kentucky which granted summary judgment of collateral estoppel in early 1972.

The patent involved here is the 583 patent of Eugene Wahl in a bin activator. It is an apparatus for discharging bins of flour, grain or other particulate material. It is the special arrangement for vibrating a bin bottom unit or bin discharge device. It includes large upwardly convex baffle which fills a large part of that conical shell. That baffle, vibrated along with the — that upwardly convex baffle vibrated along with that shell provides the action of controlled flow downward,

which has been found very desirable. It is manufactured by many companies, including the plaintiff.

In 1969 the District Court in Indiana [4] held the patent invalid as anticipated and obvious in view of four prior art references. One of them was a structure made by the appellant. And these references, these structures, are quite different. They show in Pages 35 to 61 of the Appendix that they were regarded by the court with the evidence before it as having functional equivalence and having the same functional relation, and by virtue of that they were held to be anticipatory under 35 Code U.S. 102, and to render the invention obvious under 103. That case was appealed and affirmed.

There was a further case on that same patent in Kentucky that was pending in 1970-72. Now the *Blonder-Tongue* decision of the Supreme Court was handed down while that case was pending. And after that the defendant in Kentucky then went to court with a motion for summary judgment based on the *Blonder-Tongue* decision and the reversal of the prior law of *Triplett against Laurel* (sic).

A JUDGE: That is exactly what happened in the Kaiser case?

MR. FERRILL: Yes, sir, Your Honor.

[5] Before the Indiana court, the defendant contended that the primary contention — I'm sorry — before the Kentucky court — the defendant contended as its primary contention that Judge Bratcher had failed to comprehend the case fully and had so lacked comprehension and understanding of it to be unable to render a just decision. We can look back now and see that that wasn't a very good contention. And partly it was because actually all of the parties didn't really comprehend the operation of the invention correctly. There lies the heart of the present case.

A JUDGE: That is the exception to *Blonder-Tongue*, and that is what you think this case is simply?

MR. FERRILL: That is exactly right, Your Honor.

In the present case here we have new evidence — factual new evidence, not just opinion evidence. The factual new evidence picture is one of several publications, articles, written by several sources, including the main manufacturers in this field. [6] The plaintiff and its competitors, who have recognized — with the recognition developing in about 1972 and '73, and crystalizing in '73, '74 and '75 — realized that there is a different kind of function occurring.

Before the view was that a baffle, of any kind almost, extending into a bin structure in most any position, if given vigorous vibration would cause the particulate material to fluidize. And "fluidize" has been explained in the earlier publications, the ones of 1965 — even in the Wahl patent, the other patent involved in one of the two suits from which this appeal is taken here now.

A JUDGE: Does that mean new evidence that you have, or does it amount to anything more than a new appreciation of the mechanics of the activator bin or bin activator?

MR. FERRILL: We submitted that it is both of those two things. Certainly it is a new appreciation of what occurs in it, Your Honor. But bearing in mind that anticipation involves finding the same combination of elements operating in accordance with [7] the same functions to produce similar results. The criterion had to be before the court in Indiana "Are the functions the same here?" and particularly with the difference of the structures which can be observed right in the references that the court was relying on.

A JUDGE: Was that information available at the time of the original trial?

MR. FERRILL: It was not, Your Honor, because nobody knew this mode of operation and knew what actually was occurring in this. The belief was in fluidizing, making it flow like water, and that is some-

what the opposite of what occurs. Indeed, it leads to flushing in many cases. And as the later references have pointed out, it you tend to defluidize and cause it to flush and to flow out uncontrollably like water, then you're in trouble. You have a problem.

A JUDGE: All of the physical evidence, the mechanical operation, were there during the first trial and during the second trial.

MR. FERRILL: The identical structure was there. What it did inherently, Your Honor, has not [8] changed. What has come to be known now is what was actually happening and is known is quite different from what was believed before. The picture that both sides presented to Judge Bratcher and the court in Indiana had to be what they believed, and that was in accordance with the fluidizing idea.

A JUDGE: Does that apply to the level the test was laid down in the Kaiser case?

MR. FERRILL: We submit that it does, Your Honor, because it is a question of new evidence that would have to be crucial, and only if this evidence can lead — and we say it can indeed lead and should lead — to a new appreciation of the case, and to a realization that the decision before it could not take into account the correct operation, simply because the Judge couldn't know it, and he couldn't know it because the parties that came to him, neither of them could know it. And I am sure it was an honest presentation of evidence, and they all believed in the fluidization principle that was being expounded then, and that was written into the articles by all of them at that time. [9] This is in the 1960's — middle 60's and late 60's. But then they had come to realize that a different thing occurred. Now when you couple that with the difference of the physical structure, we are quite confident that of this case were before Judge Steckler today with evidence on what really does happen, he would say, "Well, this is a new picture and a new case, leading to a different decision."

A JUDGE: Wouldn't it just lead to a complete obliteration of the principle of *Blonder-Tongue*? What is this new principle that is so unusual? Because people are going to come and do this everytime if they can come and say. We learned a new principle of physics that explained for a different reason what happened. We all know that in industry shaking a bin is used in many, many operations, and getting something to fall down through screens or other material to the bottom of a container. And it seems to me this would be a very dangerous to make, after you had it reviewed by one court you could go then to another court, and go perhaps to the eleventh circuit, and finally get one [10] to say that you have got a new principle asserted. Isn't that all you are telling us?

MR. FERRILL: Your Honor, no, sir.

A JUDGE: Well, what is this new thing, if it is not other than a new explanation for what causes the same results?

MR. FERRILL: Your Honor, it has to do with the question of what this baffle does in relation to the cone around it, and the necessary state of the baffle, and the kind of shearing action and the flow promotion it must produce, which Professors Strait and Singley recognized in connection with the descriptions in the art. Professor Singley has been in this field for twenty years, and he only got — as he pointed out in his affidavit — he only got the full understanding of what was happening in this one thing he had specialized in in 1974.

Your Honor asked that this couldn't happen and wouldn't be expected to happen in most every case of a party looking for an exception to *Blonder-Tongue*. And I would have to answer that if any other [11] party could find that the whole industry had come forth with publications a few years after the first trial of the case, had all come in with the recognition virtually 180 degrees opposite from their previous views, that Here the oper-

ation is very different from what we though before, This is now what is now critical and necessary to make these things work, This is what distinguishes one form from another, and here is the action that must occur.

If you find these things published by your competitors and yourself, we say that you do have a case to come in. But that may happen one in a thousand times. We don't think this is a very usual thing. It happens to be the circumstances we have before this court now.

A JUDGE: And if it is a new principle and you mean to carry it out, then you can file a new application, and have a new patent which carries out the new principle.

A JUDGE: As I understand Mr. Ferrill's proposition, he doesn't urge a new principle, but he [12] urges that there is a new understanding of the old principle.

MR. FERRILL: That is exactly right, Your Honor. This is something that was not understood before. And this was true throughout the industry. And the whole recognition has come both — all the way over from the fluidizing idea to realizing that a different kind of action is taking place, and that it is this horizontal shearing action and pressing between these inclined surfaces — not to be found in the prior art, by the way. That is to say that these do work. And these articles bear that out.

A JUDGE: I think that once you file an application with that claim, you could be proving this new theory of yours. And I would think that you could tell readily from that. That would be a way to do it, rather than trying to get a previous decision re-examined by another court.

MR. FERRILL: If your Honor please, these units have been made and sold in the industry for many years. There is no such thing as a new patent on it. [13] Our problem here is that we have a patent situation that is virtually a carbon copy of the situation of the Grant patent on the Rubber Tire system of about 1902 that

was in litigation in about ten or eleven reported cases. It went up to the sixth circuit. They held the patent invalid based on the explanation and the beliefs as to what operates and how it operates and what occurs in it at that time. Later the parties came before the court in the Southern District of New York, and finally realized what does happen in this Grant patent, what is inherent in it, even though not spelled out in the patent, in the operation of it. When they realized how it operates, the court said, Well the sixth circuit court would have held it valid if they would have understood this feature. Valid over the same prior art. They held it valid, so the second circuit affirmed, and the Supreme Court, which had denied certiorari on the sixth circuit case earlier, holding invalidity, now took the case and affirmed the validity holding, and they too recognized because of this new understanding of what is happening inherently [14] in the system, it is an invention over the same prior art, with the very same claims, the same description, the same patent, the same prior art.

A JUDGE: That is when Triplett was the law.

MR. FERRILL: It was indeed, Your Honor. But we submit that that is on the principle. And that case has been recited, and on this thing, proposition until a year ago as a landmark case on this proposition. We submit it remains the law.

A JUDGE: Thank you. Mr. McWilliams are you ready?

MR. McWILLIAMS: May it please the court, I would like to explain one thing before I get into the fundamental merits. You will note that on this appeal Rexnord is not asking for attorneys' fees, the reason for it being that there is another patent situation down in the court below which has not been resolved yet. Furthermore, in the court below, Rexnord has a counterclaim pending for Antitrust violation and for unfair competition, in which we are asking for attorneys' fees [15] there. But the fact that we are not asking for attor-

ney's fees here should not in any way prejudice the fact that Solid Flow is in its case asking for attorneys' fees. We expect to get them below.

Now, with respect to the merits of this case: The case was tried in Indiana. The trial took eight days. There was a period of time of nine months from the time defendant put in its case, before plaintiff was required to put in rebuttal. Judge Steckler, with all the findings of fact and conclusions of law, found the patent invalid, part of the appeal defined (sic) rehearing denied, certiorari denied. Then the case in Louisville, the Vibranetics case: The court there, Judge Bratcher, considered on the motion for summary judgement what happened in the seventh circuit, held that the seventh circuit and Judge Steckler knew precisely what they were doing in connection with it. He granted the motion for summary judgment and dismissed the Complaint. That was taken to the Court of Appeals for the Sixth Circuit. And in writing the opinion in the *Kaiser* case, Your Honor Judge Adams referred specifically to the decision of [16] *Wahl versus Vibranetics* on the *Blonder-Tongue*. And the situation there is pretty much the same. I don't think I need to spend any time arguing with respect to the law of *Blonder-Tongue*. This court has had occasions to consider that.

But let's get back to the so-called new theory. It is incredible that Vibra Screw, selling these big machines, maybe twenty-five hundred, three thousand dollars, 1962 to 1974, to sophisticated purchasers, and special engine ring features, it is incredible for them now to say that all during that period of time neither they or the people who bought them knew how they operate. It is incredible.

I suggest that at this time Mr. Wahl and Vibra Screw are continuing on this litigation for the purpose of aiding them in the marketplace. As long as there is a patent infringement suit pending, prospective purchasers will have difficulty purchasing the product

from anybody other than Wahl and Vibra Screw. And this litigation has been going on for more than ten years. As soon as anybody gets into the field, another lawsuit is [17] filed. Rexnord just got into the field. Suit was filed in Boise, Idaho first. Then we tried to get it back to Judge Bratcher in Kentucky, and they didn't want that at all. Finally Judge Meaner (sic) got it. But the idea is that they must find some kind of a makeweight to keep this litigation going.

You would expect that after the Court of Appeals of the Seventh Circuit did its job, after Judge Steckler did his job, and then after the *Blonder-Tongue* situation in Kentucky that was affirmed by the Court of Appeals, you would think that we had it, no place we can go. But that isn't the attitude here. We have got to find some way of continuing on this litigation. And that is precisely what they will do. They may go another place, if the decision of Judge Meaner stands, they will probably find another place to file an action. Some time or other, that kind of a thing ought to stop. And I think that is what *Blonder-Tongue* means. You cannot continue to file lawsuits under some nebulous makeweight theory.

Now, I will give the rest of the time [18] to Mr. Sommers. Thank you.

MR. SOMMERS: Your Honors, I would like to submit that defendant, Solids Flow, is entitled to attorneys' fees and costs. And I make this submission under the *ADM* case test in the Third Circuit, the first part of that test being whether this is an exceptional case. I submit that one of the tests for determining whether this is an exceptional case is part of a vexatious or unjustified litigation, which was an alternate criterion to fraud set down in the *ADM* District Court case, which cited the *Pennsylvania Crutcher Company* (sic) case in the Third Circuit, and further under the *Seismograph Service* case in the Fifth Circuit.

I submit that the present case is one of vexatious and unjustified litigation, because it was prosecuted in

this circuit, notwithstanding the enormous adverse decisions of two other circuits, and in the face of *Blonder-Tongue*, the *Blonder-Tongue* doctrine and the general doctrine of collateral estoppel.

This is not the second, but the third court in which the validity of this patent is in issue. [19] I would like to further, then, the *Tidewater Patent Development* case in the Fourth Circuit. The court noted the plaintiff brought that suit well aware of the conclusive demonstrations of invalidity in several courts, and sought to recover on the same grounds renounced in those other courts, and that further in that case the court remanded to the District Court to award attorneys' fees.

This alleged exception and the new theory proposed by the plaintiffs relates to the inherent function of the device, which they were not deprived of. This new theory as to inherent function — by definition inherent facts are facts which would be available for development at the trial. And you cannot be deprived of inherent facts.

This constitutes essentially a recognition subsequent to trial of the significance of these inherent facts. And the evidence was clearly available at the trial and could have been developed through adequate testing and consideration.

A JUDGE: What about this *Diamond Rubber* case, are you going to get to that?

[20] MR. SOMMERS: Your Honor, with respect to that tire case, it seems to me there they rely on that case as to inherent function as well, that there was a subsequent development of inherent function or a new theory as to how that inherent function operated. That is precisely the facts that we have here. And I think in that case as well as the Grant case, that that kind of evidence was readily available at the trial court level. If there had been sufficient testing and consideration as to the theory and approaches, it could clearly have been developed at an earlier stage. And had they been

faced at that time with a *Blonder-Tongue* type opinion from the Supreme Court. I don't think they could have gone into those considerations at a later date.

A JUDGE: You say it is distinguishable because *Blonder-Tongue* was not the law at that time?

MR. SOMMERS: Yes, I do, Your Honor. Furthermore, I would like to point out that the only finding of the trial judge in this case with respect to attorneys' fees was that — quote — he feels that plaintiff was wrong [21] but not irrational to claim invalidity. That test does not appear in any of the statutory decisions of the courts, and furthermore, even though the plaintiffs may very well have been rational, their action was a cold and calculated act deliberately to foster this unreasonable and vexatious litigation.

A JUDGE: Your use of the term "irrational" is just merely another way of saying that he didn't think it was frivilous.

MR. SOMMERS: I don't think the question of its being frivilous is the determining factor here, because even if it wasn't frivilous, it still may be vexatious and unjustified. And I think that whether merely frivilous and vexatious and unjustified are two different standards that could be applied.

A JUDGE: Did you cite the *ADM* case to him? You asked for attorneys' fee.

MR. SOMMERS: Yes. Yes, we did, Your Honor, we cited it.

A JUDGE: Did he have that before him?

MR. SOMMERS: Yes, we cited it to him [22] in a letter that I sent to the court asking for a further explanation for the record as to the reasoning behind his ruling. And we cited to him the Third Circuit opinion in the *ADM* case.

A JUDGE: If that is our controlling case, it is pretty hard to reverse that.

MR. SOMMERS: Absolutely. I recognize that, Your Honor.

I would just like to go into the second point in the *ADM* case, which is the question of abuse of discretion in the trial court in not awarding attorneys' fees. And I believe that test, as enunciated in the *ADM* case, was whether it would make it greatly unjust for the prevailing party to take care of its own counsel fees. And I don't believe that that test was ever addressed by the trial court, and I do submit that it would be greatly unjust to bear our counsels' fees in view of this vexatious and unjustified litigation.

Thank you.

MR. LOGAN: Your Honor, with respect to the question of attorneys' fees, we admit that in the [23] eight year history of *Blonder-Tongue* there has never been an exception, there has never been a second trial on a patent that has been held invalid. But we submit that neither *Blonder-Tongue* nor this court in *Kaiser* said that there should never be a second trial on a patent previously held invalid, but that this court and the Supreme Court in *Blonder-Tongue* specifically set down guidelines when collateral estoppel should not apply.

A JUDGE: Can you give us an illustration of a hypothetical in your mind when *Blonder-Tongue* would not apply?

MR. LOGAN: Well, I think the case we have in front of us is a perfect illustration.

A JUDGE: Give us another one.

MR. LOGAN: Well, I cannot think of any other illustration. The Supreme Court in *Blonder-Tongue*, and ——— this court in *Kaiser* referred to, I believe, three situations, one where the District Court where there was not a full and fair trial. Second —

A JUDGE: You are not complaining [24] about that?

MR. LOGAN: We are not complaining about that.

Second, where there was not a complete, accurate understanding by the District Court of the technical facts involved. We are really not complaining about that. The court understood the technical facts presented to it.

And third, where there was crucial new evidence that was not previously available. And in our instance, the crucial new evidence would be the new industry wide understanding of the function performed by the element of the bin discharger.

A JUDGE: Well, isn't that really new evidence nothing more than an illumination on the part of at least one of the parties, and nothing more than that?

MR. LOGAN: Well, more than one of the parties. It is all of the parties. All of the industry is involved in this. Rexnord itself published a paper we are relying on. But no, it is not an [25] illumination —

A JUDGE: Wouldn't that mean, Mr. Logan, then that almost any patent case could be retried indefinitely from state to state?

MR. LOGAN: I don't believe so, Your Honor, no. Only in the situation as explained by my colleague where there is the industry wide 180 degree turning around of the understanding of how the elements set forth in the claims of the patent in suit perform their function, that function being one of the elements that has to be considered in the question of anticipation or obviousness.

Further, with respect to abuse of discretion of Judge Meaner, Judge Meaner carefully considered this at the District Court level. He came into the hearing with a six-page typewritten opinion and read that into the record at the end of oral argument, and specifically denied attorneys' fees.

Now, in respect to Mr. McWilliams' statement that it is incredible that Wahl and Vibra Screw did not understand the function of the elements of the [26] apparatus of their patent that they were manufacturing and selling. I would like to mention that this also occurred in the *Diamond Rubber Company* case where the rubber company didn't understand the function of the support wires that were within the tire.

Also the defendant in the Indiana case was a company named Carman. Mr. Dumbaugh of Carman tes-

tified at trial. Mr. Dumbaugh, who had been with Carman since its inception, and Carman had been manufacturing these devices for many years, wrote an article in 1965 which fully explained the fluidization theory. It wasn't until 1973, when Mr. Dumbaugh was with Vibranetics that he wrote another article contradicting his prior explanation in 1965.

Eugene Wahl, in the second patent that issued on just about the eve of the trial in Indiana also explained this fluidization theory. So, obviously Mr. Wahl and Mr. Dumbaugh of Carman and Vibranetics all didn't know what was going on, and therefore, I think it is very foolish to say that it is ridiculous that they didn't know this subtle, complex [27] functioning of the elements that were set forth in the claims of the 583 patent.

A JUDGE: Thank you very much. The court will take this case under advisement.

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

EUGENE A. WAHL, *et al*,
Plaintiff,

v. Civil Number 76-791

REXNORD, INC.,
Defendant.

EUGENE A. WAHL, *et al*,
Plaintiff,

v. Civil Number 76-1412

SOLIDS FLOW CONTROL CORP.,
Defendant.

Newark, New Jersey,
April 25, 1977.

Before: THE HONORABLE H. CURTIS MEANOR, U.S.D.J.

Appearances:
MESSRS. FREIDIN, KIRSTEN, FRIEDMAN & CHERIN,
Attorneys for Plaintiffs,
By: HAROLD FRIEDMAN, ESQ.;
MESSRS. FERRILL & LOGAN, (Of Counsel, Pennsylvania Bar),
By: THOMAS FERRILL, ESQ.,
JOHN W. LOGAN, JR., ESQ. and
ROBERT SEITTER, ESQ.

MESSRS. GACCIONE & POMACO,
Attorneys for Defendants;
MESSRS. McWILLIAMS & MANN, (Of Counsel, Illinois Bar),
By: THOMAS F. McWILLIAMS, ESQ.
MESSRS. SOMMERS & SOMMERS,
Attorneys for Solids Flow Control Corp.,
By: HARRY SOMMERS, ESQ.

[3] MR. FRIEDMAN: I would like to introduce and move the admission pro hac vice of Messrs. John Logan and Thomas Ferrill and Robert Seitter of the Pennsylvania Bar. They are patent attorneys.

THE COURT: Any objection?

We have a local rule, gentlemen. You are not supposed to have more than three cases in which you are associated at one time on the civil side in this District.

Any of you in that situation where you have more than three?

MR. LOGAN: No

MR. FERRILL: No

MR. SEITTER: No.

THE COURT: Motion is granted.

Motion for summary judgment.

MR. McWILLIAMS: In the Rexnord case —

THE COURT: Take them both at once. They are not consolidated, are they?

MR. McWILLIAMS: No, they are not.

THE COURT: But the same issue.

MR. McWilliams: My name is Thomas McWilliams, attorney for Rexnord, Inc. and in support of the motion for summary judgment.

THE COURT: Now, in Rexnord there is a 508 patent which is not involved in these motions.

[4] MR. McWILLIAMS: Right.

THE COURT: In both cases of the 583 patents, and the only patent in the Solid Flow case is the 583 patent.

[5] MR. McWILLIAMS: That is correct. Our motion for summary judgment set forth a number of —

THE COURT: You are only in the Rexnord case?

MR. McWILLIAMS: Yes. Our motion for summary judgment sets forth what we believe to be uncontested facts having specifically to do with the litigation in Indiana, the holding of invalidity in the District Court, the affirmance in the Court of Appeals, writ of certiorari denied, and refers to the Vibranetics case. The motion for summary judgment there, the granting of that by Judge Bracher, the affirmance of that by the Court of Appeals for the Sixth Circuit and —

THE COURT: Cert. denied.

MR. McWILLIAMS: None of the facts set forth are contested.

Nothing else from the movant's side in support of that. If your Honor would like, I can go through the authorities, including the Blonder-Tongue, the Vibranetics —

THE COURT: It is not necessary.

MR. McWILLIAMS: If you would like me to address what plaintiff has come up with, I'd be glad to go into that.

THE COURT: Well, you might do that briefly.

I understand from the plaintiff s affidavit no facts as such, he has come up with apparently a novel or new [6] interpretation of those facts. Is that the way that you see it?

MR. McWILLIAMS: That is the way I see it. It's a makeweight. It's one of these attempts to lift yourself by the bootstraps for a number of reasons.

They talk about crucial evidence. As pointed out in my reply brief this is the last avenue of escape.

There are five avenues of escape in view of Blonder-Tongue. The only one that hadn't been thrashed out prior to this time was this presentation of crucial evidence not heretofore available to the plaintiff.

THE COURT: Now, what this really is is an attack on the judgment of Judge Bracher in Kentucky.

MR. McWILLIAMS: Really an attack upon the former opinion of Judge Stechler in Indiana who held the patent invalid.

THE COURT: If you go back through the proper route you've got to go back through Bracher's opinion, don't you, Bracher's judgment.

MR. McWILLIAMS: I think it goes the other way, if your Honor please, for the reason that Judge Stechler is the one who tried the case as a fundamental infringement case.

THE COURT: I know, but how many times are you permitted to litigate your potential exceptions to the Blonder-Tongue estoppel doctrine?

[7] MR. McWILLIAMS: Once you are Blonder-Tongued you are through. That is what the courts have been saying all along. You can't go any further.

THE COURT: I think you can make an argument to the effect that if you lose in District A, as was done here in Indiana, and you try to get another court to give you an exception to the Blonder-Tongue estoppel by going to District B, and that court refuses to do so, I think you can make an argument that you are foreclosed in any other court except in Court B where on the basis of traditional rules of newly-discovered evidence, fraud, et cetera, you could seek to reopen that judgment which precluded you from getting around Blonder-Tongue.

Do you follow me?

MR. McWILLIAMS: Could be, but if any place it should be back in Court A which held the patent invalid in the first place, because that is what is alleged where the error occurred.

THE COURT: That does not appear to be what the United States Supreme Court had in mind in Blonder-Tongue.

I gather the U.S. Supreme Court was desirous of avoiding conflicts among the Circuit Courts on patentability and, hence, created the Blonder-Tongue estoppel doctrine, for that among other reasons.

MR. McWILLIAMS: What the Supreme Court said was [8] once you have a patent held invalid, where you have the full and fair opportunity to litigate it, and through the other criteria, that is it, you have had it.

Now, that is what happened in the Seventh Circuit, the Indiana litigation.

THE COURT: No court has held that in order to get around Blonder-Tongue estoppel you have to go back to the original court.

MR. McWILLIAMS: No.

THE COURT: The estoppel doctrine would only apply a fortiori in a subsequent litigation involving the same patent.

MR. McWILLIAMS: Right.

THE COURT: My point is that once you try in a second court to get around the Blonder-Tongue estoppel doctrine and fail, that it might be argued your only recourse in the event you have new evidence or some way to vitiate that latter judgment, would be to go back to that court and in this case the Western District of Kentucky and say, "Judge Bracher, we have fraud. There was perjured testimony, newly-discovered evidence, et cetera, on the traditional ground to set aside an already existing judgment."

That is one argument I think you might make.

[9] MR. McWILLIAMS: Okay. That is what we tried to do precisely in filing our declaratory judgment suit in Kentucky.

We raised the issue before Judge Bracher that by virtue of the Blonder-Tongue decision in the earlier case, in this declaratory judgment case the same decision should be reached.

In other words, the defendant patent owner should not be entitled further to litigate the patent. They fought like steers there from keeping us getting the jurisdiction in Kentucky.

They wanted no part of the motions to dismiss.

THE COURT: We have been through that here.

MR. McWILLIAMS: Even to a petition for writ of mandamus.

Then I moved up here to transfer this case to Kentucky. Again there was great resistance to that.

THE COURT: I denied it.

MR. McWILLIAMS: You denied it, but they don't want to go back into Kentucky because they have a pretty good idea what would happen.

THE COURT: I suppose they fear the natural proclivity of a federal judge to think he was right in the first place.

MR. McWILLIAMS: Indeed.

[10] THE COURT: I don't know that proclivity is unique to federal judges, however.

MR. McWILLIAMS: Indeed, let us come up with some of this Denbo affidavit, the former patent office examiner.

All he says, without having read the record of the case at all, he looked at the prior art, looked at the patent in suit, read the so-called three articles and said, "I still would have granted the patent."

He disagrees with Judge Stechler. So what?

THE COURT: I have been reversed a time or two and I admit that a couple of times I have been reversed on reconsideration and the thesis that three minds are better than one, I have accepted the judgment.

There are a couple of cases in which I have been reversed in which I think the Court of Appeals was wrong.

Now, I have a right to feel that way, so does Mr. Denbo. I don't have a right to take judicial action on that feeling. I have to follow the Court of Appeals.

I suspect Mr. Denbo in the patent office, he couldn't re-issue this patent or one like it.

MR. McWILLIAMS: But what Mr. Denbo is saying is that he disagrees with Judge Stechler and he disagrees with the Court of Appeals for the Seventh Circuit, and that you should adopt his theory rather than what happened in the [11] Seventh Circuit.

THE COURT: Anybody else want to be heard for the movants?

MR. SOMMERS: Your Honor, I believe I am in accord with the views that you have expressed up to this point.

If you have any further questions that you would to put —

THE COURT: No.

What about this case here?

What is so unique about what you have now produced that I should ignore the estoppel of Blonder-Tongue?

MR. LOGAN: There is no such thing as estoppel of an estoppel, your Honor.

At the time of the Kentucky case the defendant there was Vibranetics, different defendants than the defendant here.

The facts that we are relying on at this time were not available at the time of the Kentucky case.

THE COURT: Wait a minute now.

I always make a distinction in my own mind between the fact and opinion. I don't believe you have any new facts and such as distinguished from different and new perhaps more sophisticated and more advanced opinions based on facts that were in existence at the time of the Kentucky [12] and independent litigation.

MR. LOGAN: Well, naturally, it's an underlying fact, and the fact is the new theory of the understanding of the function of the elements of the bin activator.

THE COURT: I will classify that as an opinion. I don't know what new fact could come up in a patent case on your side.

MR. LOGAN: Actually, your Honor —

THE COURT: I could think of new facts that might come up on the side of an infringer such as some prior art that hadn't been discovered, some European patent or something to that effect.

I'm just trying to think of an example of a new fact that would come up to aid you rather than new opinion or conclusion.

MR. LOGAN: The fact is, your Honor, the existence of the understanding of the scientific principle involved.

Now, this has been considered by the Supreme Court before. This has been considered in a pre-

Blonder-Tongue case, but it was considered in the Rubber Tire case that was referred to in plaintiff's main brief.

In the Rubber Tire case there were two trials and two appeals, and in both instances in two separate circuits the patent was declared invalid.

[13] Then in the Third Circuit there was a third trial and the District Court found the patent valid. The Court of Appeals affirmed the decision of the District Court and affirmed it and distinguished it from the prior two cases on the basis that there was now a new understanding of the scientific principle involved in why this Rubber Tire functioned as it did.

That decision in the Court of Appeals was affirmed by the Supreme Court with the Supreme Court setting forth that it was not necessary for the inventor at the time of the first trial or at the time of the second trial to understand the scientific principle which made his invention work.

[14] But the Court could at the time of the third trial consider that scientific principle, consider that as new evidence and the Supreme Court did affirm the third holding of the Rubber Tire case, which was the first holding —

THE COURT: That was pre-Blonder Tongue.

MR. LOGAN: Yes, Yes, Your Honor, but there was a recognition, first of all, that the inventor, or those involved in the case, do not have to understand the scientific principles. But when they are understood then a Court can reconsider the effect of those principles on the findings of the validity.

Now, we are relying in this case on new evidence, the evidence being this theory of the understanding of the invention. This theory of how the invention functions is set forth in papers published after the date of this first trial.

THE COURT: Now, look, the Supreme Court obviously had something novel and drastic in mind in the Blonder Tongue decision.

MR. LOGAN: Yes, it did, your Honor.

THE COURT: It created estoppel and set forth in the opinion certain — it was a unanimous opinion, too, wasn't it?

MR. LOGAN: Unanimous opinion.

[15] THE COURT: And the opinion, Justice White was it?

MR. LOGAN: I am sorry?

THE COURT: Was it Justice White that wrote it?

MR. LOGAN: I am sorry, I can't state that. I believe it was, but I am not sure.

THE COURT: Whoever wrote it set forth certain potential grounds on which in subsequent litigation over and already declared — in a patent already declared invalid, the patentee might be able to relitigate the patent's validity and relitigate and succeed.

MR. LOGAN: That is correct.

THE COURT: Obviously the Supreme Court contemplated in suit A a patent invalid, suit B, an attempt to show why the estoppel should not apply and that, therefore, the question of validity should be relitigated de novo, right?

Now, we know the Supreme Court contemplated two suits. The orginal suit leading to a judgment of invalidity and the second suit, in which the estoppel was pleaded.

Now, when that occurs, when you have a patent declared invalid, then you go to the second court and seek to get around Blonder Tongue.

The second court says no, we have looked into [16] the first judgment and we find it to be fair, et cetera, et cetera, as the Western District of Kentucky in this Sixth Circuit did in this case.

Why shouldn't an estoppel akin to that created by the parent case of Blonder Tongue be applied to that decision as well?

MR. LOGAN: Well, it should be if the facts in that decision were exactly the same as the facts in this case.

However, in this case the facts are different.

THE COURT: The facts are different. You have contended before Judge Bracher in Kentucky that you didn't have a full and fair trial on the merits in Indiana because of a variety of reasons, and you lost, right?

MR. LOGAN: That's correct.

THE COURT: And Judge Bracher has determined that the independent litigation was not conducted in such fashion that it vitiates the Blonder Tongue estoppel. Is that a fair way to put it?

MR. LOGAN: Actually, Judge Bracher did say that the facts as set forth, or as alleged in the brief for the plaintiff in that case would be sufficient to provide an exception to Blonder Tongue except for the fact that the plaintiff in that case did not comply with the requirements of Rule 56 and did not set forth any facts [17] by affidavit.

So that the Court really had no facts before it.

THE COURT: For whatever reason, Judge Bracher is determined that the Indiana case remained within the ambit of Blonder Tongue and estoppel applied.

MR. LOGAN: Right.

THE COURT: Why shouldn't you be forced, if you are not going to — you are going to be able to — you are going to get around Bracher's decision, the Sixth Circuit decision which holds that you are not entitled to vitiate the Blonder Tongue estoppel, why shouldn't you be forced to go back and reopen that judgment on whatever grounds might be available for the reopening of judgment?

What is it, Rule 64? Rather than come to a third court, i.e., this one.

MR. LOGAN: This is a third court with a third defendant, your Honor. I don't think we have the right to go back to Kentucky and reopen the Vibranetics decision.

THE COURT: I don't know about that.

MR. LOGAN: Under Rule 64 we can only reopen it after passage of a year on the basis of fraud, isn't that correct?

THE COURT: Yes. You don't have any fraud basis, do you?

MR. LOGAN: That decision in Kentucky was [18] different. The Sixth Circuit decision was different in that all that was argued there —

THE COURT: It is not a Rule 64. They might have changed the number. What is the rule?

MR. PATTON: 50.

THE COURT: 60. Well, you might have some relief under Rule 60 back to Judge Bracher. Mistake, inadvertence, surprise, excusable neglect, newly discovered evidence and fraud will have to be made within one year after the judgment.

[19] MR. LOGAN: That's correct.

That judgment was five or six years ago.

THE COURT: However, the other catch-all reason, any other reason justifying relief from the operation of the judgment can be made apparently at any time, all right?

MR. LOGAN: Well, the theory, your Honor, as to how these elements do work and why the elements of the bin discharge of function is of extreme importance for several reasons.

First, your Honor, in order to invalidate a patent the Court must find two things: One, not only the identity of the elements, but also the identity of the function of those elements.

This is set forth, your Honor, by the Supreme Court in Hiball Processes vs. Minnesota Paper.

Now, secondly, Judge Stechler in the Indiana trial did state with respect to each and every prior art publication, and with respect to each ground of invalidity, that the elements of the bin activator of the raw patent functioned in a manner similar to the elements of the prior art patents.

This is set forth, your Honor, in a side-by-side relationship in the supplemental memorandum which plaintiffs filed with you this morning.

The third and most important —

[20] THE COURT: I told the lawyer that brought it in to me I wasn't going to read it.

MR. LOGAN: Well, we got defendant's Rexnord's brief Friday afternoon.

THE COURT: I haven't read that either.

MR. McWILLIAMS: The reason for that was that it was due to be filed, their brief, on April 1. I got it on April 8.

THE COURT: I tell you gentlemen I confront thirty-five motions on Monday morning and they are supposed to be here so I can review them in advance of coming out.

I'm not going to accept material on Thursday and Friday before a motion day.

MR. LOGAN: We understand that.

THE COURT: I can't do it. I am busy trying some other case and I think it's an imposition upon me.

MR. LOGAN: We felt this was a difficult case and that you might not hand down a decision from the bench, but might want to consider it. We felt that anything we could do to help might be appreciated.

THE COURT: I just cannot do it. I can't accept them that late.

We have rules and I am only one person. I am not going to hire a pickup truck every weekend to take this stuff home so I can look at it.

[21] Go ahead.

MR. LOGAN: Well, the third and most important element with respect to this new theory or operation of the bin discharger is that the Indiana court was given an incorrect theory at the time of the trial.

THE COURT: You went through that with Judge Bracher.

MR. LOGAN: No, we did not. What we went through with Judge Bracher was that Judge Stechler did not understand it and did not properly apply the Grand vs. Diary criteria.

That is what was gone through with Judge Bracher and not the function of the bin discharger. The new scientific principles as to why it worked.

THE COURT: If you get turned down in the Third Circuit — you have been to the Seventh Circuit and Sixth Circuit — if you get turned down in the Third Circuit you are going to go to the Fifth and the Fourth and the First and the Tenth, the Eighth, the Ninth and the D. C. Circuit.

MR. LOGAN: Your Honor, there are five manufacturers —

THE COURT: When is this going to end?

MR. LOGAN: I can give you the answer to that. There are five manufacturers of bin dischargers. Four of [22] those five manufacturers have written articles and subscribed to this new theory and accepted it.

The fifth manufacturer is Solids Flow who is also here. So the fourth and the fifth manufacturers of the bin dischargers are here.

The first one is here, which is Vibrascrew. The other two are disposed of. So there is really nobody else left.

THE COURT: Unless you find somebody else that is making it or go after somebody that bought one of these things and is using it in some other Circuit.

MR. LOGAN: Well, your Honor, this Indiana court was given this incorrect theory that the vigorous vibration of the bin discharger intended to fluidize the material and to make it flow like water.

THE COURT: As I recall the facts, Judge Stechler in Indiana, he had this case and he tried it. There was a long period of time between the time he tried it. There was a long period of time between the time he tried it and the time he decided it, eight or nine months, something like that.

MR. LOGAN: No, the trial was adjourned in August.

THE COURT: Maybe that's what I am thinking of. It was adjourned for a long period of time.

[23] MR. LOGAN: Yes, it was.

MR. McWILLIAMS: Nine months between the close defendant's evidence and the rebuttal on the part of the plaintiff. They had nine months to think about the full case the defendants put in.

THE COURT: How long after the rebuttal was the decision of the judge?

MR. LOGAN: Approximately three or four months.

THE COURT: When did this erroneous theory creep into the case?

MR. LOGAN: It didn't raise its head until originally the first article that was written by Carmine.

THE COURT: I mean at what stage of the trial before Judge Stechler did this theory —

MR. LOGAN: During the entire course of the trial.

THE COURT: So you had a hiatus of several months between the first and second stages of the case to prepare to meet it, didn't you?

[24] MR. LOGAN: No, your Honor. The same theory was accepted by plaintiffs at that trial. The plaintiff and the defendant testified the same way as to the theory of the function of the elements of bin discharger. It was not until after that trial was over, it was not until '70 and early '73 paper of Dunbar or Vibranetics, in '75 paper of Rexnord that the true scientific principle as to why the bin activator works, as it does, was fully understood.

The plaintiff should not be penalized because he did not understand the scientific principle. It is not a requirement of the patent law that he understand them.

The Supreme Court recognized in the Rubber Tire case that he should not be penalized because he did not understand them.

THE COURT: I suppose a lot of things are patented on an empirical basis that are not understood. They are patented because they are new and they work.

MR. LOGAN: That is true. I think the inventor there desires a great deal of recognition because he made it by the seat of his pants, even though he didn't know why. That's exactly the situation that occurred here, and now we know why.

THE COURT: A spark of intuitive ingenius.

MR. LOGAN: Yes, your Honor. I think you could say that that is the situation that we do have now.

[25] Now, we're at a point where a court can try the claims of this patent. It is only Claims 3 and 4, and a court can try these claims in light of a proper understanding of the invention. That is what we are asking for here, your Honor.

THE COURT: All right.

MR. McWILLIAMS: May I make two or three observations with respect to that?

THE COURT: Very briefly.

MR. McWILLIAMS: The first one, the total hypothesis is that from 1962 when Wahl allegedly made this invention, he didn't understand it until some time in 1970. Yet from 1962 up to 1970 they sold more than a thousand units of a total value, a total dollar value in excess of three million dollars.

It is unbelievable they didn't know how it worked out in market.

The only thing I have to say, your Honor will recall the letter that Eugene Wahl wrote to Judge Stechler. They say this new idea came up in 1970. His letter is dated November 1973, pointing out to Judge Stechler what he thought was the error of it, the truth in this case lies inextricably in the basic engineer's principles.

Then he went to talk about that and talk about it. Judge Stechler didn't answer him immediately. So he [26] sent him a Certified letter demanding an answer.

Judge Stechler says, "I have read your letter. I understand everything that is in it. I do not agree with your conclusion that there was a misunderstanding either on the part of this Court or the appellate court regarding the basic structure and function of the patent in relation to the prior art."

This is Judge Stechler speaking in 1974. It was after they got this new theory.

THE COURT: Gentlemen, I'm sorry, I've got limited time and I have a great many lawyers waiting.

MR. LOGAN: May I make one statement, your Honor?

THE COURT: Yes.

MR. LOGAN: In 1975 Mr. McWilliams' present client, Rexnord, wrote a paper in which it recognized, and I will quote, "When bin dischargers were first introduced they uncovered engineering relationships that were not too well known." That is a publication in 1975 by Mr. McWilliams' client.

THE COURT: Gentlemen, I see no reason to delay decision in these cases, because I do not believe that the plaintiffs may any longer in this court attempt to assert the validity of this 508 patent.

Both of these cases are infringement actions based [27] on the rights asserted under U.S. Patent No. 3,173,583. The Rexnord case also asserts infringement of U.S. Patent No. 3,261,508.

The '583 patent was held invalid after a full trial on the merits in an infringement action plaintiff had instituted in the Southern District of Indiana in 1969.

The District Court's judgment was affirmed by the Seventh Circuit. Wahl v. Carrier Manufacturing Company, 425 F.2d 96 (7th Circuit, 1971), cert. denied, 405 U.S. 990 (1972).

[28] Thereafter, plaintiff instituted an infringement action based on the 583 patent against another alleged infringer in the Western District of Kentucky. In that case, the defendant moved for summary judgment on

the ground that plaintiff was estopped from asserting the validity of the 583 patent under the doctrine announced by the Supreme Court in Blonder Tongue Laboratories, Inc. versus University of Illinois Foundation, 402 U.S. 413 (1971).

As part of its moving papers, the defendant in that action submitted the entire thirteen hundred page transcript of the Indiana action, and a certified copy of a six hundred page appendix from the Seventh Circuit appeal.

Plaintiffs filed nothing in opposition to the motion for summary judgment except a reply which alleged various deficiencies and errors in the Indiana litigation, which plaintiff claimed made the application of the Blonder Tongue doctrine inappropriate.

Upon reviewing the entire record of the Indiana case, and concluding that the Indiana trial Judge had a full grasp of the technical matters involved, the Kentucky trial Court ended summary judgment for the defendant. That order was affirmed by the Sixth Circuit Wahl versus Vibraretics, Inc., 474 Fed. 2nd 971 (Sixth Circuit), cert. denied 414 U.S. 859 (1973).

[29] Within three years of the affirmance of the Kentucky Court by the Sixth Circuit, the present cases were lodged in this court against two more alleged infringes of the 583 patent. These defendants have now moved for summary judgment on those claims resting on the 583 patent on the ground that plaintiffs are again estopped from asserting the validity of the 583 patent against them under the doctrine of Blonder Tongue versus University of Illinois Foundation.

The motion is resisted on the ground that the plaintiff has discovered new evidence which is crucial to a proper determination of the validity of the 583 patent, and further that it was not responsible for the absence of this evidence at the Indiana trial.

The new evidence now proffered consists of three published papers and affidavits submitted by experts

in the field, which purport to show that the subject matter of the 583 patent involved a sophisticated, subtle and complex mechanism which had not been deciphered at the time of the Indiana litigation.

This material, it is alleged, would have been crucial to an effective cross-examination of the defendant's expert witness in Indiana, who characterized Wahl's patented item as obvious and simple. Also submitted is evidence that Wahl's foreign patents on the same device [30] as is involved in the 583 patent, have been subject to foreign litigation and have been upheld in Italy and Germany.

All this material is submitted in order to demonstrate that the Supreme Court standard for avoidance of the Blonder Tongue doctrine, as construed by the Third Circuit, has been met. In Kaiser Industries versus Jones and Lockland Steel Corp., 515 Fed 2nd 964, 982 (1975), the Court stated: "In order to show that a prior judgment is not binding for want of essential evidence, a patentee must fulfill the two criteria of the Supreme Court test. It must persuade the second court that the additional evidence was crucial to a proper resolution of the first tribunal, and that the patentee bore no responsibility for the absence of the evidence in the prior trial."

The difficulty here, however, is that, not including Circuit Courts, this is not the Second, but the Third, Court in which the validity of the 583 patent has been set at issue.

Generally speaking, the Blonder Tongue case affords a patentee one opportunity to litigate the validity of his patent, and thereafter, only the opportunity to litigate the question of whether the prior proceeding was so seriously defective as to mandate a [31] second trial of the validity issue.

As the Court in Kaiser noted, the correctness of the result and the validity suit is not at issue in the second proceeding. 515 Fed. 2nd at Page 978.

The only issue in the second proceeding is whether "the patentee has had a full and fair chance to litigate the validity of its patent in an earlier case."

Thus far, the 583 patent has been adjudicated invalid after a full trial on the merits in the Southern District of Indiana. The fairness of the Indiana litigation has been fully tested on the merits in the Kentucky suit.

There exists a general doctrine of collateral estoppel in this Circuit which operates beyond the scope of patent litigation. This doctrine precludes the relitigation of issues actually decided in former judicial proceedings.

[32] The three essential elements to the application of collateral estoppel are:

One, the issue decided in the previous case must be the same as the issue in the present case.

Two, the previous litigation must have concluded with a final judgment on the merits.

Three, the party against whom the estoppel is asserted must have been the party or in privity with a party to the earlier case.

Scooper Dooper, Inc., vs. Craftco Corp., 494 F. 2d 840, 844 (Third Circuit 1974.)

I think there can be no dispute as to the fact that, one, the issue in question here, i.e., the validity of the Indiana judgment, is precisely identical to the issue in question in the Kentucky action.

Two, the Kentucky action was concluded with a final judgment on the merits.

Three, the plaintiffs against whom the estoppel is now asserted were a party to the Kentucky litigation.

I therefore believe that collateral estoppel now prevents the re-litigation in this court of the validity of the Indiana judgment which held the 583 patent invalid.

This being the case, the defendants are entitled to summary judgment on all claims of infringement of the 583 patent.

[33] This terminates, as I understand it, the Solid Flow case and leaves only infringement of the 508 patent at issue in the Rexnord case.

I will need a separate order in each case.

MR SOMMERS: We move for assessment of attorneys' fees and costs in this case.

THE COURT: No, I don't think so. From what I read, Mr. Wahl, however wrong he may be, is not irrational in claiming invalidity that he has in this case.

I don't want any more cases involving this in this court or I will assess costs.

MR. LOGAN: Would you certify the Rexnord case for appeal?

THE COURT: I want to talk to you about that. Yes, if there is no other way to avoid it.

Would you like to participate in the appeal?

MR. McWILLIAMS: Some place some time or other they have got to be stopped.

THE COURT: I don't know.

MR. McWILLIAMS: It is going to continue on.

THE COURT: I tell you what, I don't have any problem, I think it stands for certification, Rule 54, doesn't it?

MR. LOGAN: Yes, your Honor.

THE COURT: Do you want to agree to be bound by [34] the result of the appeal in the Solid Flow, or in on the appeal yourself?

MR. McWILLIAMS: I thought just the Rexnord.

MR. LOGAN: Solid Flow, yes, but that doesn't need certification.

THE COURT: No, it does not. I will give you a Rule 54(b) certification in the Rexnord case. You certainly are entitled to it, I believe.

MR. LOGAN: Thank you, your Honor.

THE COURT: It's a separate claim. What is the relationship?

MR. LOGAN: It's a separate claim.

THE COURT: All right.

MR. LOGAN: That will not under the present circumstance preclude us from going ahead with discovery with respect to the other patent.

THE COURT: I would say the 508 patent part of the Rexnord case pending appeal, I will give you a Rule 54(b) certification in Rexnord in the 583 patent.

I presume both cases can go up together and be argued together and decided together.

MR. McWILLIAMS: For the record, I do have the full trial transcript in Indiana. It wasn't made available in Kentucky. I want to make it available to you today.

THE COURT: I don't believe I need to go into it. [35] I presume that you gentlemen will make what I believe the Third Circuit believes available by way of an appendix in the appeal.